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UNCLAS SEOUL 004194

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SUBJECT: KOREA PASSES NON-REGULAR WORKER BILLS

SUMMARY AND COMMENT

1. (SBU) After two years of delays and debate, the ROK passed three labor bills to address wage and benefit discrimination against non-regular workers who comprise more than one-third of the workforce in Korea. Although the bills layout a clear path for non-regular workers to become regular workers after completion of a two-year contract, the bills continue to receive opposition from the second largest trade union umbrella group as well as the Democratic Labor Party (DLP) who both feel the bills will only cause the number of non-regular workers to increase and allow employers to exploit wide loopholes that were never closed. The passage of the bills in the current political climate marked a win for the Roh administration as the ruling Uri Party and opposition GNP Party came together in support of the final affirmative vote, leading some pundits to speculate that there is still some chance left for the Roh administration to pass key legislation. END SUMMARY AND COMMENT.

2. (SBU) The National Assembly approved three labor bills on November 30 after discussions between labor, management and the government dragged on for the last two years. The bills that go into effect starting in July 2007 ban companies from discriminating against non-regular (part-time or temporary) workers whose duties and productivity are comparable to regular workers in terms of wages. Currently, non-regular workers' wages are typically half of their regular worker counterparts. Non-regular workers are also rarely afforded benefits such as social insurance or pensions.

BACKGROUND ON NON-REGULAR WORKERS

3. (SBU) The broader issue being contested is the nature of non-regular work in Korea. In their efforts to develop a dynamic and robust economy, Korean employers adopted the practice of using temporary workers to maintain a more flexible workforce. Temporary workers are not only less costly than regular workers, but when work slows down, they can be dismissed with no fear of legal repercussions. The result is that the current workforce in Korea is comprised of 5.45 million non-regular workers, an enormous 35.5 percent of the total workforce. According to Dr. Kim Soh Yeong from the Korea Labor Institute (KLI), it was only after the International Labor Organization (ILO) pressured the ROK to address the disparity between regular and non-regular workers

that the new bills were proposed. Kim also suggested that a fear of Korean enterprises moving to other Asian markets where labor costs are lower was also a factor for the ROKG in considering the labor reforms.

POTENTIAL PITFALLS

14. (SBU) Contrary to the notion of stabilizing the workforce in Korea through these bills, many employers are fearful that their labor costs will rise as they will now be obligated to provide equal wages and equal benefits for all types of workers. Additionally, employers must now convert non-regular workers to regular status upon completion of a two-year contract or face fines up to \$30,000. With the two-year mark looming over an employer's head, opponents to the bills fear that workers will be terminated just before the two-year point so that employers can avoid taking the worker on as a regular employee. National Assembly Representative Bae Il-do, a member of the Environment and Labor Committee, voiced this same concern about employee terminations but added that it was better to pass these bills now than continue to allow the discrimination of non-regular workers. Although workers had high expectations for support from the new law, the bills fall short on both wages and job security, Bae said. NOTE: Bae has the unique perspective of being a former labor union founder and president who has since left organized labor to join the National Assembly. END NOTE.

UNION PERSPECTIVES

15. (SBU) The largest trade union umbrella organization, the Federation of Korean Trade Unions (FKTU) was openly supportive of the bills and helped the government rationalize the approval of less potent bills that could be delivered to the workers now rather than further delaying the debate. The main opponents to the bills are the Democratic Labor Party (DLP) and the Korean Confederation of Trade Unions (KCTU), the second largest trade union umbrella organization. These two groups share the concern that the bills have opened the door for employers to hire even more non-regular workers to replace employees on leave due to childbirth or illness. They unsuccessfully lobbied the government to add language that would have limited the sectors in which non-regular workers could be employed. NOTE: The day after the bills were passed, KCTU organized a large protest on the grounds of the National Assembly to show their displeasure with the laws. Reports said that approximately 3,000 protestors attempted to enter the grounds of the National Assembly but were repelled by riot police using water cannons. END NOTE.

COMMENT

16. (SBU) The passage of the bills presents a new challenge for Korea's workforce. Regular workers, backed by their unions, will not accept a decrease in wages as employers attempt to cut costs while equalizing wages between regular and non-regular workers. Non-regular workers, buoyed by the passage of the new laws, must be careful not to demand too much in order to avoid putting their employers in a situation where the prospect of sharply rising staffing costs forces them to make reductions. On a positive note, the consensus on the bills represented a rare meeting of the minds between the ruling Uri and opposition GNP parties although legislators have not disclosed their motives for the sudden willingness to cooperate. With the current legislative session winding down and a number of important budget and policy issues still pending, politicians on both sides may be doing some "give and take" in order to realize some late-session progress on these fronts.

VERSHBOW